

Measures for the Administration of Arbitrage Trading of Zhengzhou Commodity Exchange

Chapter 1 General Provisions

Article 1 These Measures are formulated in accordance with the Trading Rules of Zhengzhou Commodity Exchange and relevant regulations for the purposes of regulating the arbitrage trading activities and fully developing the futures market.

Article 2 Non-futures brokerage members (hereinafter “non-FB members”) and clients who conduct arbitrage trading on Zhengzhou Commodity Exchange (hereinafter “the Exchange”) shall comply with these Measures.

Chapter 2 Arbitrage Trading

Article 3 Arbitrage trading shall include futures arbitrage trading, options arbitrage trading and arbitrage trading between futures and options.

Futures arbitrage trading shall include calendar spread arbitrage and cross-commodity

spread arbitrage. Calendar spread arbitrage shall refer to the futures trading in which the non-FB members and clients buy (sell) and sell (buy) the same quantity of positions in the futures contracts with the same underlying commodity and of different contract months.

Cross-commodity spread arbitrage shall refer to the futures trading in which the non-FB members and clients buy (sell) and sell (buy) the equivalent quantity of positions in the futures contracts with different underlying commodities.

The specific products to which cross-commodity spread arbitrage is applicable shall be announced by the Exchange.

The ways in which options arbitrage trading and arbitrage trading between futures and options are conducted shall be consistent with relevant provisions under the Measures for the Administration of Options Trading of Zhengzhou Commodity Exchange.

Article 4 The Exchange shall automatically confirm the arbitrage trading between futures and options at the time of clearing. In terms of other types of arbitrage trading, non-FB members and clients may establish the arbitrage positions by confirming the positions established before as arbitrage positions or directly executing arbitrage orders.

Article 5 The position limit system shall be applicable to arbitrage positions. The total quantity of speculative positions and arbitrage positions held by a non-FB member or client in regular months or the month prior to the delivery month shall be less than or equal to twice of the position limit prescribed for the speculative positions in the corresponding futures contracts, and the quantity of such speculative positions shall not exceed the corresponding speculative position limit. The total quantity of speculative positions and arbitrage positions held by a non-FB member or client in the delivery month shall be less than or equal to the position limit of speculative positions in the delivery month.

The total quantity of the speculative positions and arbitrage positions calculated on a round-trip basis and held by a non-FB member or client in an options contract of a specific month shall be less than or equal to twice of the speculative position limit of the options contract, and the quantity of such speculative positions shall not exceed corresponding speculative position limit.

Article 6 After the arbitrage positions of a particular contract are liquidated, the corresponding arbitrage positions of the other contract shall be automatically turned into speculative positions.

Article 7 Trading margins of futures arbitrage positions shall be collected on a round-trip basis and relevant margin rate shall be consistent with the higher or the highest trading margin rate applicable to the contracts in the arbitrage portfolio.

Margins of options arbitrage trading and the arbitrage trading between futures and options shall be collected in accordance with relevant provisions under the Measures for the Administration of Options Trading of Zhengzhou Commodity Exchange.

After arbitrage positions are liquidated, the trading margins for the liquidated arbitrage positions shall be refunded before those for outstanding positions are collected.

Article 8 The Exchange may adjust the transaction fee of arbitrage trading.

Chapter 3 Supervision and Management

Article 9 If the total quantity of speculative positions and arbitrage positions held by a non-FB member or client exceeds the standard stipulated by the Exchange, they shall adjust the quantity of such positions by the end of the first trading session of the next trading day. If the non-FB member or client fails to make adjustments within the required period or the position quantity after adjustment still cannot meet the requirement of the Exchange, the Exchange may conduct forced position liquidation.

Article 10 If non-FB members and clients are found to conduct fraud and market manipulation or other actions which are in violation of laws and regulations when conducting arbitrage trading, the Exchange shall take regulatory measures such as arranging an interview, issuing a warning, issuing criticism by circulating a notice, suspending from establishing new positions and conducting forced position liquidation. The Exchange shall handle such violations in accordance with relevant provisions of the Measures for Penalties for Violations of Zhengzhou Commodity Exchange.

Chapter 4 Supplementary Provisions

Article 11 The Exchange shall reserve the right to interpret these Measures.

Article 12 These Measures shall enter into force from November 9, 2018.

(The English version is for reference ONLY. The Chinese version shall prevail if there is any inconsistency.)